

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION JOINT APPROPRIATIONS SUBCOMMITTEE ON EDUCATION

Call to Order: By **CHAIRMAN JOHN WITT**, on February 5, 2001 at 9.00 A.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Rep. John Witt, Chairman (R)
Sen. Ken Miller (R)
Rep. Rosalie (Rosie) Buzzas (D)
Sen. Greg Jergeson (D)
Sen. Royal Johnson (R)
Rep. Art Peterson (R)

Members Excused: None.

Members Absent: None.

Staff Present: Mark Bruno, OBPP
Amy Carlson, OBPP
Pam Joehler, Legislative Branch
Cayenna Johnson, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: MSU Recharges
Executive Action: None.

HEARING MONTANA UNIVERSITY SYSTEM RECHARGES

{Tape : 1; Side : A; Approx. Time Counter : 1.1; 9:05 a.m.}

Geoff Gamble, President, Montana State University, explained recharge fees in response to a question from **CHAIRPERSON WITT** on Friday, February 2, 2001 about a possible rumor circulating around that the Agriculture Research Stations were getting charged twice for a certain fees. The name "recharge" implied a charge was happening twice. Other rumors implied that the MSU

Agriculture Research Station was paying for the costs of other university entities.

President Gamble supplied the following handout to rectify the misinformation concerning recharges entitled, "An Overview of the University's Overhead Cost Distribution Process":

EXHIBIT(jeh29a01)

Recharges are what the MUS charges each university "entity" for centralized costs. There are four distinct MSU entities, the University, Agriculture Experiment Station, Extension Service and Fire Service Training School. There are five ways to charge costs shown on page 3, Exhibit 3. They included total operating expenditures, total employee (FTE) quantity, hazardous material management disposal volumes, building square footage and actual consumption.

Committee Questions and Answers:

{Tape : 1; Side : A; Approx. Time Counter : 17.7}

CHAIR WITT asked **President Gamble** whether the Agriculture Experiment Stations were getting charged costs beyond what other entities are charged. **President Gamble** explained that they were not charged additional costs and additionally, no charges are applied to federal funding or grants and contracts. In fact, recharge costs are so careful, some faculty members who are contracted 50% with the University and 50% with the Agriculture Experiment Station have the actual square footage divided and charged appropriately.

V. CHAIR MILLER asked whether recharges are consistently applied to all agencies or whether there were exceptions in charges. **President Gamble** replied that recharge calculations are applied uniformly and usually without exceptions. **V. CHAIR MILLER** then asked whether the Agriculture Experiment Stations were paying recharge costs for utilities, then also paying them again. Craig Roloff, Executive Director of University Budgets, replied that recharge costs for utilities are only charged at sites at the MSU, Bozeman campus. Those facilities outside campus were paying their own cost of utilities from an outside provider, and these costs aren't calculated in their process.

{Tape : 1; Side : A; Approx. Time Counter : 24; 9:30 a.m.}

Referring to a question posed by the committee on Friday, February 2, 2001, **CHAIR WITT** asked **President Gamble** whether any

money was granted to Agriculture. For the record, **President Gamble** stated in the following entitled "Research Match Funding":

EXHIBIT(jeh29a02)

President Gamble explained these monies can't be used to deal with the issue of deferred maintenance because these grants have specific contracts and they have to be accountable for spending this money.

HIGHER EDUCATION DISCUSSION

{Tape : 1; Side : B; Approx. Time Counter : 3.0; 8:30 a.m. }

Dr. Richard Croft, stated that in the last session the Board of Regents, the Commissioners Office, and the legislature agreed to sit down and make some concluding observations and to give everyone a place to finally pursue the issues.

Margie Thompson, Chair, Board of Regents, spoke about the air or aura of distrust towards the university system and feeling frustration because the distrust is undeserved. She reminded the committee of the statement on E-73 included in the general appropriations act for several biennia which states:

Finally, the Court said that the Regents' power to govern must be harmonized with the legislature's power to appropriate, set public policy, and insure strict accountability of state revenues and expenditures.

She asked what effect unfunded federal mandates have on the Montana University System(MUS) and the Montana State Government.

Chair Regent Thompson stated that both the committee and MUS concentrate on expenditures, and instead they should concentrate on revenues. She said that if the committee were to compare the revenues returned from the expenditures, they would see that higher education is really an investment. She said that they have an opportunity to work together and neither party should make any assumptions. She mentioned the disinformation about recharge on Friday and was very sorry noone from that meeting was here to hear the outcome and results, which also adds to the distrust.

{Tape : 1; Side : B; Approx. Time Counter : 9.9; 9:45 a.m. }

Commissioner Croft spoke about irony of each session, presenting the incredible achievements of the MUS while also stating they are desperate for money. But he said the MUS is very proud of what they do and can't help bragging. There are four main issues

that concern **Commissioner Croft**. These are the tuition policy, accountability, the need to invest in higher education and the funding gaps. MUS is requesting supplemental appropriations and is asking that instead of considering the new proposals, the committee put that money toward meeting their base needs.

{Tape : 1; Side : B; Approx. Time Counter : 18}

George M. Dennison, President, University of Montana, stated he could only affirm the issue of tuition policy. The Board of Regents is seeking a historic approach to tuition public policy in the Rocky Mountain area region where 25% of educational costs are paid by the student while the state pays 75%. He says in the last ten years this has changed and that with low tuition the state gives low financial aid. Presently tuition is high and financial aid is low.

{Tape : 1; Side : B; Approx. Time Counter : 19.7}

President Gamble asked that all parties focus on the positive side of the incredibly difficult task of balancing a healthy higher education system while keeping it affordable and accessible, and holding them accountable for their work.

{Tape : 1; Side : B; Approx. Time Counter : 21.4}

CHAIR WITT responded that he was concerned that MUS presented a crisis each biennium while requesting funding. He explained that he was concerned about what MUS holds for the future. He also asked whether they need a third party to help understand the bigger picture.

Chair Thompson responded that she thought that sort of question invites positive dialogue and that in the last two sessions that hasn't been the case. She said nothing gets resolved in Montana without communication and that she hopes this discussion causes a better working relationship between the committee, MUS, the Office of the Commissioner of Higher Education and the Board of Regents.

{Tape : 1; Side : B; Approx. Time Counter : 24.4}

Commissioner Croft stated he was intrigued by the idea of the third party although he doesn't know exactly what that means. He explained that he was frustrated that MUS, representing a large part of the Montana state budget, presents to only six members of 150 state representatives. After this process there is very little discussion of MUS. He would like to see more connection between the Joint House Appropriations Committee on

Education and the House Appropriation Committee. He is eager to bring to focus the expectations of the legislature while communicating the MUS aspirations so that, if not in agreement, these come closer together.

{Tape : 1; Side : B; Approx. Time Counter : 28.6; 10:05 a.m.}

REP. PETERSON stated that as a former educator, he is deeply impressed with the quality of education in Montana. He feels he is at a hard pressed position to take a finite amount of money and make it work. He said there is a need to invest in higher education, the question is how much and where.

CHAIR WITT responded to **Commissioner Croft's** comment that he was also frustrated with this process and would like to see a shorter and more efficient way to do it. When the real decisions are made it all comes down to six people in a conference committee.

{Tape : 2; Side : A; Approx. Time Counter : 2.5; 10:10 a.m.}

SEN. MILLER also responded to **Commissioner Croft's** comments. He said in terms of agency presentations what he liked to hear is first how they take every dollar the legislature allocated and produce great things. Second he likes to hear what the legislature should invest in next and what new great things these dollars will accomplish. So far the discussion has centered about "dyin' on the vine" comparing "apples to oranges wanting the apples to taste like oranges". The Joint Appropriations Subcommittee on Education gives lumps sums to the Board of Regents to decide where to put the funds. Unfortunately legislators want to get their fingerprints all over it. **SEN. MILLER** also stated that all the arguments and pleas don't matter as there is only a lump sum of money to be allocated and then the Regents allocate it how they wish. **SEN. MILLER** will release the information on his proposal for a \$1,000 increase in funding per student. He said he gives credit to **President Dennison** for providing some idea about how to pay for this increase to higher education.

{Tape : 2; Side : A; Approx. Time Counter : 10}

Commissioner Croft commented that he is eager to work with the legislature and receive the committee's assessment in meeting expectations and how MUS appropriations ought to change. He said that the reason the MUS overview seems to be filled with doom is because they believe that to be the case. MUS has made efforts towards achieving their goals, however, some issues of concern have accelerated or accumulated at a faster rate than previously thought. He said he believes that without change there will be

serious consequences for MUS and that will affect a lot of Montanans.

{Tape : 2; Side : A; Approx. Time Counter : 14.1}

President Dennison reaffirmed **Commissioner Croft's** comments and stated that he thinks the lump sum approach is the best way to avoid additional costs associated with line-items. He said it's been estimated that 10-12% of state funds and tuition is used to deal with federal mandates.

REP. BUZZAS reminded the committee that there is no reason for the aura of distrust. The Board of Regents has open meetings that any person can attend. She said since 1992 the state has contributed a flat percentage rate to MUS and that in the medical field this would mean death. She said this is about priorities and that in the past few sessions education has not been a priority. She said there are many issues for the committee to deal with including rising inflationary costs and keeping students in-state. She asked the commissioner whether the lump sum of a \$500 increase per student would be adequate to take care of these problems.

{Tape : 2; Side : A; Approx. Time Counter : 21; 10:30 a.m.}

Commissioner Croft responded that sum of money would allow MUS either freeze tuition increases or keep them at a small rate. This money would not have an impact on deferred maintenance which is an estimated \$100 million. This sort of money will have to come from a new source of revenue from the state. This lump sum of money will deal with funding gaps and leave an additional \$30 million. He says it is unfortunate that this large amount of money is necessary for inflationary issues. This money will catch Montana up with other states.

{Tape : 2; Side : A; Approx. Time Counter : 25}

CHAIR WITT asked **SEN. JOHNSON** about his proposed HB 243 and what energy projections look like in the following years. **SEN. JOHNSON** responded that costs will be high then taper off in the next 2-3 years.

SEN. MILLER asked **President Dennison** to clarify the issue of the resort at Salmon Lake. **President Dennison** explained that in 1996 the Center at Salmon Lake was donated by Dennis Washington to the University of Montana Foundation. The foundation leases the Center to the University of Montana for \$1 per year. All expenses are paid by the fees to rent and use the building. In the beginning there was some concern that this center would

interfere with the local businesses. However, the center actually contributed to the local economy because all catering is local. The value of the building was about \$5 or \$6 million when it was donated. **SEN. MILLER** asked if they would sell it and use the interest on the investment (\$600,000 per year) as a source of revenue for the University. **President Dennison** explained the University of Montana has plans to develop the center into generating revenue and not just pay for itself.

{Tape : 2; Side : A; Approx. Time Counter : 32.5; 10:40 a.m.}

CHAIR WITT asked **President Dennison** to explain why **Representative Stanley M. Fisher, HD 75**, is concerned with making the Yellow Bay Biological Station a line-item. **President Dennison** said that he thought it is better to keep the biological station at Yellow Bay internal to the University to make better use of the appropriation.

{Tape : 2; Side : B; Approx. Time Counter : 1.6}

SEN. JERGESON explained that in the past allocated funds to line-item everything in MUS where the legislature micro-managed using the guess method. He said the present allocations to MUS are not keeping up with inflationary costs and are not keeping MUS accessible and affordable to students. He said that when students choose to leave Montana from high school to attend high school elsewhere, he's not sure they ever get them back. In addition **SEN. JERGESON** said that the spats in this committee are small in comparison to the 1987 and 1989 sessions.

SEN. JOHNSON first stated as former Chair of the committee, he was hurt and offended by the comments from the Regents and the Commissioner indicating that they felt they had not been recognized as communicating in an open fashion. He asked **Regent Chair Thompson** to again explain the "pie analogy". She said that this analogy encourages looking at the ripple effect of MUS on the economy. **SEN. JOHNSON** said that he didn't think the analogy made any correlation comparing allocations for incarceration and education. **Regent Chair Thompson** said that it was her point exactly to show that higher education should be seen as an investment. **SEN. JOHNSON** asked whether **Regent Chair Thompson** had looked at the final budget and she explained that she and the other Regents go over the final MUS budget with a fine tooth comb.

SEN. JOHNSON asked **Commissioner Croft** whether he had ever reduced the MUS budget when he saw that there was unnecessary spending. **Commissioner Croft** replied that on an annual basis MUS makes their own reduction and adjustments. He reminded the committee

that in the last biennium 150 programs had been eliminated because they weren't efficient, and that this program continues.

{Tape : 2; Side : B; Approx. Time Counter : 19}

REP. BUZZAS asked the committee when the large business tax cuts made during the last session will be scrutinized like they are scrutinizing this agency.

SEN. JOHNSON stated that **REP. BUZZAS** is correct, and reminded the committee that 40% (the biggest sector) of the Montana economy is agriculture though it only contributes 2% to the tax base. Personal income in Montana is as high as it has ever been and corporate income is also very high. He said they should also measure this as well as the fact that the education budget is the largest it has ever been.

{Tape : 2; Side : B; Approx. Time Counter : 21.1; 11:00 a.m.}

ADJOURNMENT

Adjournment: 11.50 A.M.

REP. JOHN WITT, Chairman

CAYENNA JOHNSON, Secretary

JW/CJ

EXHIBIT (jeh29aad)